

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND**



AUSTIN A. ANDERSEN  
INTERIM INSPECTOR GENERAL

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



January 30, 2004

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20004

Dear Mayor Williams:

The Office of the Inspector General has completed an audit (OIG No. 04-1-01KA) of the comparative balance sheet of the District of Columbia Highway Trust Fund (Fund) as of September 30, 2003, and the related comparative statements of revenues, expenditures, and change in fund balance for the year then ended. As part of our review, we will also examine the Fund's 5-year forecast of expenditure conditions and operations. The results of this review will be reported separately on or before May 31, 2004. The District Department of Transportation administers the Fund for the District of Columbia government.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing required. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations and found no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions.

### **Unqualified Opinion on Financial Statements**

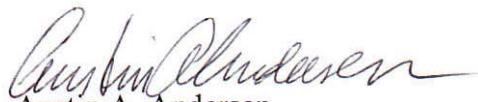
In our opinion, the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's assets and liabilities as of September 30, 2003, and its revenues, expenditures, and changes in fund balance for the year then ended.

We have not found any major issues of internal control weaknesses or non-compliance with regulations that we consider material during our FY 2003 audit.

Mayor Anthony A. Williams  
January 30, 2004  
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We appreciate the cooperation and courtesies extended to our staff during this audit. If you have questions please call me or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in dark ink, appearing to read "Austin A. Andersen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Austin A. Andersen  
Interim Inspector General

AAA/js

Enclosure

cc: See Distribution List

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Mayor Anthony A. Williams  
January 30, 2004  
Page 4 of 4

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AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003

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**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FY ENDED SEPTEMBER 30, 2003**

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**Introduction and Purpose**

Pursuant to D.C. Code § 9-109.02(e)(2001), the Office of the Inspector General (OIG) has audited the financial statements of the District of Columbia's Highway Trust Fund (Fund). As part of our review, we will also examine the Fund's 5-year forecast of expenditure conditions and operations. We will issue a separate report on the Fund's 5-year forecast by May 31, 2004.

The District of Columbia Emergency Highway Relief Act (Act), Pub. L. No. 104-21, § 2109 Stat. 257 (1995), codified at D.C. Code §§ 9-109.01 - 9-109.03 (2001), authorized the Federal government to increase its share of eligible project costs to fund the District of Columbia's (District) share of highway project costs under Title 23, United States Code, for fiscal years 1995 and 1996. The Act also required the District to establish a Highway Trust Fund and revolving fund account to finance and pay for highway projects. *Id.* at § 3.

Consistent with the Act's requirements, the District established a dedicated Highway Trust Fund separate from the District's General Fund. The Highway Trust Fund is comprised of amounts equivalent to all motor vehicle fuel tax receipts, fees, civil fines, and penalties collected by the District pursuant to D.C. Code § 9-111.01(c) Supp. (2003). The receipts are required to be deposited in the fund by the Mayor on a monthly basis. The amounts in the fund are to be sufficient to repay the Department of Transportation's Federal Highway Administration (FHWA) for the increased federal share of project costs during fiscal years 1995 and 1996, and to pay the District's cost-sharing requirements for eligible federal-aid highway projects under Title 23 of the United States Code, beginning with fiscal year 1997. *See* D.C. Code § 9-111.01(d) Supp. (2003).

Also consistent with the Act's requirements, the District established a revolving bank account now called the D.C. Highway Trust Fund account separate from the Capital Operating Fund of the District Department of Transportation and reserved for the prompt payment of contractors completing federal-aid highway projects in the District. *See* D.C. Code § 9-109.03(b)(2001).



**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



January 30, 2004

**Auditor's Report on Financial Statements**

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20004

Dear Mayor Williams:

The Office of the Inspector General has completed an audit of the comparative balance sheets of the District of Columbia Highway Trust Fund, which is administered by the District Department of Transportation, as of September 30, 2003, and the related comparative statement of revenues, expenditures, and change in fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards promulgated in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit included a review of existing internal controls for the purpose of expressing an opinion on financial accounting records and determining the extent of substantive testing. The review was not intended to be an exhaustive study of the internal controls for making detailed recommendations, and would not have necessarily disclosed all weaknesses in the system. Additionally, we tested for compliance with the provisions of selected laws and regulations. Although we found no instances of noncompliance that would be reportable under generally accepted government auditing standards, please note that the objective of our audit was not to provide an opinion on overall compliance with such provisions.



In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Highway Trust Fund as of September 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Sincerely,

A handwritten signature in dark ink, appearing to read "Austin A. Andersen", with a long, sweeping horizontal stroke at the end.

Austin A. Andersen  
Interim Inspector General

AAA/js

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**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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**COMPARATIVE BALANCE SHEETS**

<b>ASSETS</b>	<b>2003</b>	<b>2002</b>
	<hr/>	<hr/>
<b>Current Assets:</b>		
Cash & Investments	30,307,444	37,461,586
Accounts Receivable	-	6,510,000
Due from Other Fund	3,113,464	3,202,622
	<hr/>	<hr/>
<b>Total Assets</b>	33,420,908	47,174,208
	<hr/>	<hr/>
 <b>LIABILITIES &amp; FUND BALANCE</b>		
<b>Current Liabilities:</b>		
Accounts Payable	90,465	91,640
Due to Other Funds	6,742,478	4,111,552
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	6,832,943	4,203,192
	<hr/>	<hr/>
<b>Long-Term Liabilities</b>		
Retainage	1,464,110	3,706,326
	<hr/>	<hr/>
<b>Total Liabilities</b>	8,297,053	7,909,518
	<hr/>	<hr/>
<b>Fund Balance:</b>		
Restricted	25,123,855	39,264,690
	<hr/>	<hr/>
<b>Total Liabilities &amp; Fund Balance</b>	\$ 33,420,908	\$ 47,174,208
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FY ENDED SEPTEMBER 30, 2003**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE**

<b>Revenues</b>	<b>2003</b>	<b>2002</b>
Motor Fuel Tax	\$ 26,855,754	\$ 27,347,524
Interest Income	395,978	1,466,766
<b>Total Revenue</b>	<b>27,251,732</b>	<b>28,814,290</b>
<b>Expenditures</b>		
<b>Capital Appropriated Expenditures</b>		
Design, Site, Construction, and Equipment Costs	32,114,948	23,102,103
Project Mgmt Costs	3,142,689	6,077,763
Non-Participating Costs	6,134,930	14,813,744
<b>Total Net Expenditures</b>	<b>41,392,567</b>	<b>43,993,610</b>
<b>Excess of Revenues over Expenses</b>	<b>(14,140,835)</b>	<b>(15,179,320)</b>
 Fund Balance at October 1, 2002	 39,264,690	 54,444,010
 <b>Fund Balance at September 30, 2003</b>	 <b>\$ 25,123,855</b>	 <b>\$ 39,264,690</b>

The accompanying notes are an integral part of these financial statements.

**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The Highway Trust Fund financial statements report on the Fund's financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is a separate entity with a self-balancing set of accounts.

The Highway Trust Fund is a governmental fund, which is used to account for the monies held in escrow with the District as an agent for the motor vehicle fuel taxes to pay the District's share of federal-aid highway projects. Funds from the Highway Trust Fund are transferred on a reimbursement basis into the Capital Projects Fund to cover the District's share of highway projects.

**BASIS OF ACCOUNTING**

The modified accrual basis of accounting is used for the Highway Trust Fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are excise taxes, rental and other fees, and interest. Excise taxes are recognized as revenue when the sale and use take place. Interest and fees are recognized as revenue through the passage of time.

**CASH AND INVESTMENTS**

Highway Trust Fund cash is deposited in accounts with eligible financial institutions. The Highway Trust Fund cash is invested in obligations of the United States or its agencies through repurchase agreements. Such investments are considered the equivalents of cash because they are low-risk, short-term (90 days or less) investments.

**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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**RECEIVABLES AND PAYABLES**

Taxes receivable are taxes levied by the District and interest penalties on delinquent taxes that have not been collected, canceled, or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable/payable are amounts owed by/to customers or vendors for goods and services sold or purchased. Interfund receivables/payables or transfers in/out are amounts owed or conveyed between funds. Amounts due within 1 year are classified as current receivables/payables in the balance sheet.

**RESTRICTED ASSETS AND LIABILITIES**

All assets are restricted as to use by legal or contractual agreements. The Highway Trust Fund includes certain assets and liabilities arising from dedicated taxes that are legally restricted for certain highway projects.

**ESTIMATES**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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**CURRENT ASSETS**

Cash and Investments - As required by law, the bank balance was entirely insured or collateralized with securities held by the bank's agent in the District's name. The carrying amount and bank balances of deposits for the Highway Trust Fund as of September 30 are:

Account Name	Bank ID	FY 2003	FY 2002
Pooled Cash	200	\$ 2,049,458	\$ 1,397,630
Highway Trust Fund Account	467/468	7,278,789	10,837,204
Investment Account	330	20,979,197	25,226,752
<b>Total Cash &amp; Investments</b>		<b>\$ 30,307,444</b>	<b>\$ 37,461,586</b>

Pooled Cash – represents the collection and deposit of dedicated motor fuel tax revenue to the general fund that has not been transferred to the Highway Trust Fund.

Highway Trust Fund Account — dedicated bank account used to receive motor fuel tax receipts transferred from the District for the payment of the District's share of federal highway projects and for the receipts of Federal Highway Administration's payment of federal highway projects.

Accounts Receivable – represent revenue recognized at fiscal year end September 30, 2001, which was subsequently collected in FY 2003.

Due from Other Funds – primarily consists of the amount of dedicated motor fuel taxes recognized as revenue at September 30, 2003, and September 30, 2002, which were subsequently collected in FY 2004 and FY 2003, respectively.

**CURRENT LIABILITIES**

Accounts Payable – are amounts owed to interstate bus companies.

Other Vouchers Payable – represent refunds owed to interstate bus companies that have not been set up for payment but adjusted against revenues.

Vouchers Payable – represent refunds owed Interstate Bus Companies that have been set up as a payable at fiscal year end.



**AUDIT OF THE  
DISTRICT OF COLUMBIA  
HIGHWAY TRUST FUND FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

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Due to Other Funds – represents fiscal year expenditures paid from the operating fund, which are reimbursable from the Highway Trust Fund and were not paid at September 30, 2003, and September 30, 2002, respectively

**LONG TERM LIABILITIES**

Certain payables that the District does not expect to pay within 1 year are classified as long-term liabilities.

Retainage – In accordance with Federal Highway Administration construction contracts, the District withholds a percentage of costs incurred by contractors until the completion of certain segments of work. Projects are financed under multi-year contractual obligations.

**FUND BALANCE**

The Fund Balance is restricted to use by the District Department of Transportation's Highway Trust Fund for repayment to the United States Department of Transportation's Federal Highway Administration and for the District's cost-sharing requirements for eligible federal-aid highway projects.

**REVENUES**

The Highway Trust Fund revenue from October 1 through September 30 consists of:

- excise taxes earned on motor fuel sold in the District, at the wholesale level, and
- interest and investment income earned from short-term (overnight) investments and in obligations of the United States or its agencies through repurchase agreements.

**EXPENDITURES**

The total represents capital appropriated expenditures for the period October 1 through September 30 for each fiscal year. These expenditures that are payable from the Highway Trust Fund include the following:

- payment of the District's share of federal-aid highway project costs, and
- in-house capital outlay labor costs (DDOT personnel).

**CONTINGENT LIABILITIES**

There are no contingent liabilities against the Highway Trust Fund as of September 30, 2003.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



January 30, 2004

**Auditor's Report on Compliance and on Internal Control Over Financial Reporting**

The Honorable Anthony A. Williams  
Mayor  
District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., 6<sup>th</sup> Floor  
Washington, D.C. 20004

Dear Mayor Williams:

We have audited the comparative balance sheet of the District of Columbia Highway Trust Fund as of September 30, 2003, and the related comparative statements of revenues, expenditures, and change in fund balance for the year then ended.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

**Compliance**

Compliance with laws and regulations applicable to the Fund is the responsibility of the Fund's management at the Office of the Chief Financial Officer (OCFO) for the District Department of Transportation (DDOT). As part of obtaining reasonable assurance whether the financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws and regulations, the noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, our objective was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

The OCFO is also responsible for establishing and maintaining an internal control structure for the Fund for the DDOT. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our review of the internal control structure would not necessarily disclose all matters that might be material weaknesses under standards established the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal controls over financial reporting and its operation that we consider to be material weaknesses.

Sincerely,

A handwritten signature in cursive script, reading "Austin A. Andersen".

Austin A. Andersen  
Interim Inspector General

AAA/js